**Multiple Regression Analysis**

Multiple regression analysis is an extension of simple linear regression that allows us to model the relationship between one dependent variable and two or more independent variables. This technique helps in understanding how multiple factors influence the dependent variable and predicting outcomes based on several predictors.

1. **Dependent Variable (*Y*)**: The outcome we are trying to predict or explain.
2. **Independent Variables (*X*1, *X*2, ..., *Xn*)**: The predictors or factors that we believe have an impact on the dependent variable.
3. **Regression Coefficients (*β*0, *β*1, ..., *β*n)**: The parameters that represent the relationship between each independent variable and the dependent variable.
4. **Regression Equation**: The formula that represents the relationship between the dependent and independent variables.
   * *β*0 is the intercept.
   * *β*1, *β*2, ..., *βn* ​ are the coefficients for the independent variables.
   * is the error term.

**Steps to Perform Multiple Regression Analysis**

1. **Data Collection**: Gather data for the dependent variable and all independent variables.
2. **Data Entry**: Input the data into an Excel spreadsheet.
3. **Exploratory Data Analysis**: Visualize and summarize the data to understand its structure.
4. **Model Specification**: Define the regression model.
5. **Estimation of Parameters**: Use statistical software or Excel to estimate the coefficients.
6. **Model Diagnostics**: Check the validity of the model through residual analysis and other diagnostic tests.
7. **Interpretation**: Interpret the coefficients to understand the relationship between the variables.

**Problem Statement**

You are a data analyst working for a real estate company. Your task is to predict the house prices (*Y*) based on various factors such as square footage (*X*1), number of bedrooms (*X*2), and age of the house (*X*3).

|  |  |  |  |
| --- | --- | --- | --- |
| **House Price (*Y*)** | **Square Footage (*X*1)** | **Number of Bedrooms (*X*2)** | **Age of House (*X*3)** |
| 300000 | 200 | 1 | 10 |
| 320000 | 250 | 2 | 5 |
| 380000 | 300 | 2 | 20 |
| 420000 | 350 | 3 | 15 |
| 440000 | 400 | 4 | 10 |
| 390000 | 300 | 3 | 15 |
| 400000 | 350 | 3 | 10 |
| 450000 | 400 | 5 | 10 |

**Steps to Perform Multiple Regression in Excel**

1. **Enter Data into Excel**:
   * Input the given data into an Excel spreadsheet with each column representing one variable.
2. **Create the Regression Model**:
   * Go to the "Data" tab.
   * Click on "Data Analysis" and select "Regression."
   * Define the Input *Y* Range (dependent variable) and Input *X* Range (independent variables).
   * Specify the output range where you want the results to appear.
   * Check the "Labels" box if you have included column labels.
3. **Interpret the Output**:
   * The output will include the coefficients for the intercept and each independent variable.
   * Look at the *R*-squared value to assess the fit of the model.
   * Check the *p*-values to determine the significance of each coefficient.
   * **Regression Statistics**:
     + Multiple R: 0.996
     + R Square: 0.993
     + Adjusted R Square: 0.988
   * **Coefficients**:
     + Intercept: 155443.2
     + Square Footage: 520
     + Number of Bedrooms: 12821.5
     + Age of House: 2476.9
   * **Interpretation**:
     + The R-squared value of 0.993 indicates that 99.3% of the variability in house prices is explained by the model.
     + For every additional square foot, the house price increases by $520.
     + Each additional bedroom increases the house price by $12,821.
     + Each additional year of the house's age increases the price by $2,477. (???)

**Assignment 1**

You are tasked with predicting the monthly electricity consumption kWh (*Y*) of households based on the following factors: household size (*X*1), average monthly income (*X*2), and number of electronic appliances (*X*3).

|  |  |  |  |
| --- | --- | --- | --- |
| **Electricity Consumption (*Y*)** | **Household Size (*X*1)** | **Average Monthly Income (*X*2)** | **Number of Appliances (*X*3)** |
| 500 | 3 | 4000 | 10 |
| 550 | 4 | 4200 | 11 |
| 650 | 5 | 4800 | 13 |
| 780 | 6 | 5200 | 16 |
| 850 | 7 | 5500 | 17 |
| 700 | 4 | 5000 | 14 |
| 800 | 5 | 5200 | 16 |
| 900 | 6 | 5600 | 18 |

**Tasks**

1. **Enter Data**: Input the provided data into an Excel spreadsheet.
2. **Perform Multiple Regression Analysis**:
   * Use the Data Analysis Toolpak in Excel to perform multiple regression analysis.
   * Define the dependent variable (Electricity Consumption) and independent variables (Household Size, Average Monthly Income, Number of Appliances).
3. **Interpret Results**:
   * Record the coefficients for the intercept and each independent variable.
   * Determine the *R*-squared value and interpret the fit of the model.
   * Check the *p*-values to determine the significance of each coefficient.
4. **Make Predictions**:
   * Predict the electricity consumption for a household with 5 members, an average monthly income of $5000, and 15 electronic appliances.

**Assignment 2**

You are an analyst working for a company that wants to predict the sales revenue (*Y*) based on various factors such as advertising expenditure (*X*1), price of the product (*X*2), and number of salespersons (*X*3).

**Data**:

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales Revenue (*Y*)** | **Advertising Expenditure (*X*1)** | **Price of Product (*X*2)** | **Number of Salespersons (*X*3)** |
| 200000 | 50000 | 12 | 10 |
| 250000 | 55000 | 15 | 12 |
| 300000 | 65000 | 20 | 15 |
| 350000 | 75000 | 22 | 18 |
| 400000 | 80000 | 28 | 22 |
| 450000 | 95000 | 30 | 25 |
| 500000 | 110000 | 34 | 28 |
| 550000 | 120000 | 35 | 30 |
| 600000 | 130000 | 40 | 32 |
| 650000 | 140000 | 42 | 35 |

**Tasks:**

1. **Data Entry**:
   * Enter the provided data into an Excel spreadsheet.
2. **Perform Multiple Regression Analysis**:
   * Use the Data Analysis Toolpak in Excel to perform multiple regression analysis.
   * Define the dependent variable (Sales Revenue) and independent variables (Advertising Expenditure, Price of Product, Number of Salespersons).
3. **Interpret Results**:
   * Record the coefficients for the intercept and each independent variable.
   * Determine the *R*-squared value and interpret the fit of the model.
   * Check the *p*-values to determine the significance of each coefficient.
4. **Make Predictions**:
   * Use the regression equation to predict the sales revenue for a scenario where the advertising expenditure is $150,000, the price of the product is $20, and the number of salespersons is 40.